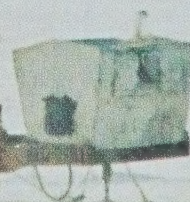


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# **BOW VALLEY INDUSTRIES LTD. and Subsidiary Companies**

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## **Officers**

DARYL K. SEAMAN, President  
BYRON J. SEAMAN, Vice-President  
H. DONALD BINNEY, Vice-President  
DONALD R. SEAMAN, Vice-President  
H. KEITH LAZELLE, C.A., Secretary-Treasurer

## **Directors**

FREDERIC J. AHERN, Vice-President, The United Corporation, New York, U.S.A.  
H. DONALD BINNEY, Vice-President, Bow Valley Industries Ltd., Calgary, Alberta  
RAYMOND W. HAMMELL, Vice-President, The Bank of New York, New York, U.S.A.  
WILLIAM A. HOWARD, Q.C., Barrister and Solicitor, Calgary, Alberta  
WILLIAM S. HULTON, C.A., The Mercantile Bank of Canada, Vancouver, B.C.  
DARYL K. SEAMAN, President, Bow Valley Industries Ltd., Calgary, Alberta  
BYRON J. SEAMAN, Vice-President, Bow Valley Industries Ltd., Calgary, Alberta  
DONALD R. SEAMAN, Vice-President, Bow Valley Industries Ltd., Calgary, Alberta  
D'ALTON L. SINCLAIR, President, The Charterhouse Group Canada Limited, Toronto, Ontario  
HENRY C. VAN RENSSELAER, Financial Advisor, Bow Valley Industries Ltd., Calgary, Alberta

## **Head Office**

630 - 6th Avenue South West, Calgary, Alberta

## **Transfer Agents**

### **Common Stock**

GUARANTY TRUST COMPANY OF CANADA, Calgary and Toronto  
THE BANK OF NEW YORK, New York, U.S.A.

### **Preferred Stock**

THE ROYAL TRUST COMPANY, Calgary, Winnipeg, Toronto and Montreal

## **Registrars**

### **Common Stock**

GUARANTY TRUST COMPANY OF CANADA, Calgary and Toronto  
SCHRODER TRUST COMPANY, New York, U.S.A.

### **Preferred Stock**

GUARANTY TRUST COMPANY OF CANADA, Calgary, Winnipeg, Toronto and Montreal

## **Auditors**

PRICE WATERHOUSE & CO., Calgary, Alberta

## **Legal Counsel**

HOWARD, MOORE, DIXON, MACKIE & FORSYTH, Calgary, Alberta  
CRAVATH, SWAINE & MOORE, New York, U.S.A.

## **Bankers**

THE ROYAL BANK OF CANADA, Calgary, Alberta  
THE MERCANTILE BANK OF CANADA, Calgary, Alberta





Mackenzie Delta of the Canadian arctic coast, looking south from the Olivier Islands

## Highlights

	1968	1967 Restated for 1968 poolings of interest	1967 As previously reported
Gross income . . . . .	\$28,071,784	\$24,487,750	\$20,433,962
Depreciation and depletion . . . . .	1,673,784	1,576,665	1,410,158
Net income . . . . .	1,264,774	1,591,938	1,211,546
Shares outstanding at year end . . . . .	2,982,894	2,148,894	2,148,894
Cash flow per common share * . . . . .	\$1.29	\$1.49	\$1.31
Net income per common share * . . . . .	.47	.62	.52

\* Based on the average number of shares outstanding during the respective years and after deduction of preferred dividends.

### Annual General Meeting

The 1968 Annual General Meeting of the Shareholders of Bow Valley Industries Ltd. will be held at the offices of the Company at 10 a.m. September 24, 1968.



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## President's Message



DARYL K. SEAMAN,  
President

Earnings for fiscal 1968 include results of companies acquired during the year on a "poolings of interest" basis. For comparative purposes, 1967 earnings, as previously reported, have been adjusted not only for the 2-for-1 stock split in October 1967 but also to include the 1967 results of companies acquired subsequent to the year-end and accounted for as "poolings of interest."

While fiscal 1968 gross income reached a new high of \$28,071,784 compared to \$24,487,750 a year ago, net income was \$1,264,774 or 47¢ per share versus \$1,591,938 or 62¢ per share in 1967. Cash flow amounted to \$1.29 per share in 1968 compared to \$1.49 per share in 1967.

Dividends on the common shares amounted to 10¢ per share in 1968, compared to 9¢ per share in 1967.

During the year preferred shareholders received dividends totalling \$1.10 per share.

Fiscal 1968 was a highly significant year for your company. Bow Valley completed a successful public financing in Canada and the United States resulting in net proceeds to the company of approximately \$5,150,000. The financing, which involved the sale of 600,000 new common shares, 200,000 in Canada and 400,000 in the United States, had the secondary result of broadening the market for the company's shares in Canada and led to the creation of a public market in the United States through a listing on the American Stock Exchange.

During the year Bow Valley embarked on a program of arctic exploration by acquiring a 2.258% interest in Panarctic Oils Ltd., the joint \$20,050,000 exploration venture which the Canadian government and private industry are conducting in the Arctic Islands of Canada. Panarctic has committed to its exploration program more than 50,000,000 acres of land in the Arctic Islands and has the exclusive right to conduct exploration and drilling operations on these lands. Seismic activity commenced in March 1968 and will be followed by a multi-well drilling program beginning early next year.

As a further participation in arctic exploration, your company acquired interests in 709,594 acres of land onshore and offshore in the Mackenzie Delta area of the Canadian arctic coast which lies approximately 350 miles east of the recently an-

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nounced discoveries by the Atlantic-Richfield-Humble team on the arctic coast of Alaska. At least two exploratory tests are scheduled to be drilled by major companies in the Mackenzie Delta area during the next twelve months.

Bow Valley continued its program of acquisition and diversification, further reducing the percentage of gross revenues derived from contract drilling for the petroleum industry. Flame-Master Ltd., an Edmonton-based manufacturer of propane and gas heating units was acquired for cash in December 1967. During March 1968, T. Connors Diamond Drilling Company Limited of Vancouver, British Columbia was acquired through an exchange of common shares. This company is engaged in contract diamond drilling, principally for the mining industry. In the same month, Bullock Wings & Rotors Ltd. was acquired for cash and Bow Valley common shares. Bullock is engaged in operating and leasing helicopters in Western Canada and the Canadian Arctic.

At the start of the year, Bow Valley sold its 60% interest in Canadian Oil Tool Limited. Shortly afterwards the minority interests in Alcon Petroleums Ltd. were purchased making that company a wholly-owned subsidiary. Alcon conducts Bow Valley's exploration activities.

Subject to approval by the regulatory authorities and shareholders' meetings of Castle Oil & Gas Limited and Canadian Homestead to be held in September 1968, your company expects to sell its holdings in Castle Oil & Gas Limited. This transaction, if consummated, is expected to generate a substantial non-recurring profit for your company in fiscal 1969.

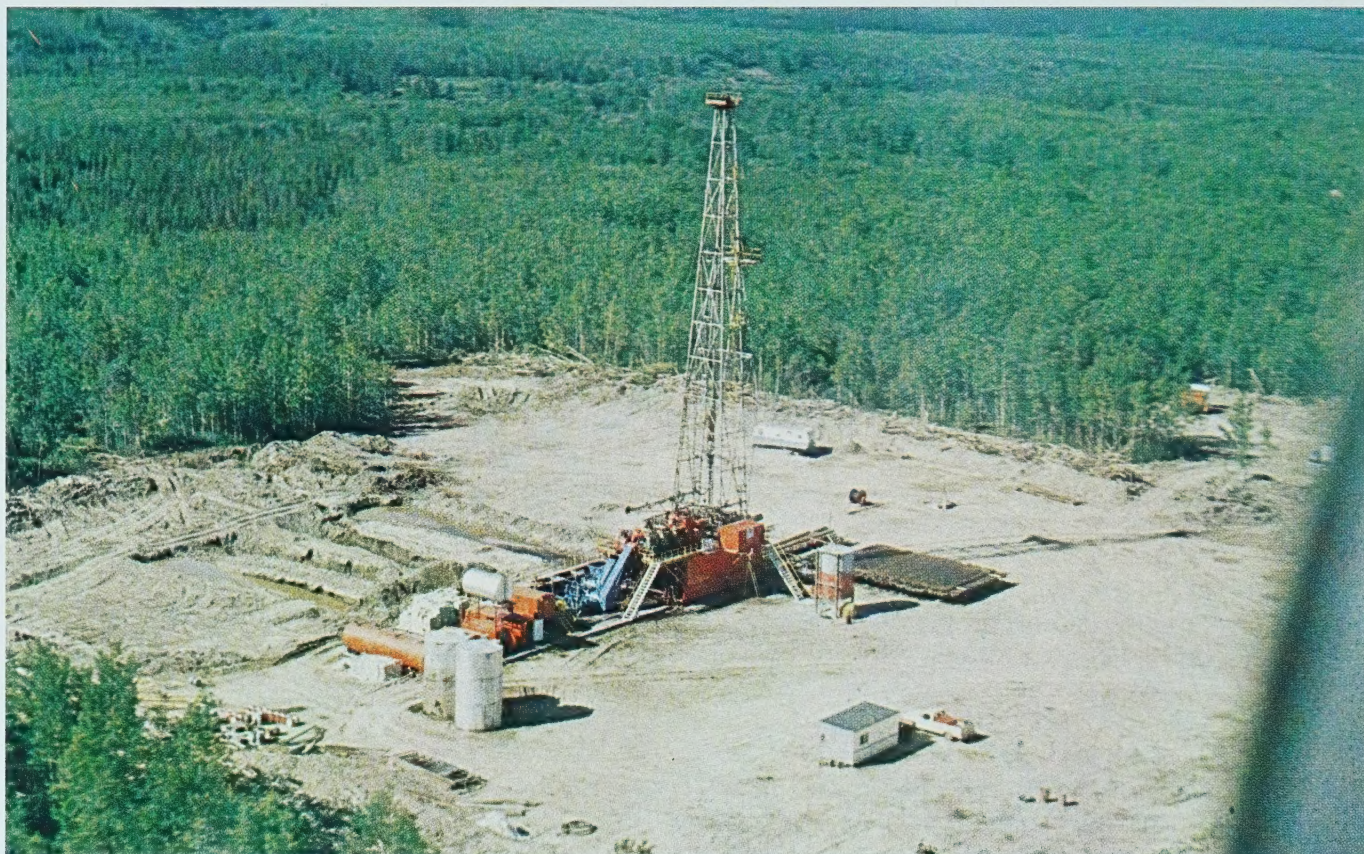
The Board of Directors wishes to take this opportunity to welcome the management and operating personnel of the newly acquired companies to the Bow Valley group. The Directors also wish to express their formal appreciation to all employees of the company and its subsidiaries for their loyalty and hard work during the past year.

Respectfully submitted  
on behalf of the Board of Directors

  
President

August 28, 1968  
Calgary, Alberta





Alcon IOE Quintette a-70-C natural gas exploration venture now drilling

## Oil and Gas Exploration and Development

### REVIEW OF 1968 OPERATIONS

Bow Valley expended \$2,784,951 during fiscal 1968 in oil and gas exploration and development. Included in this amount was \$452,879 representing Bow Valley's investment in Panarctic Oils Ltd. and \$869,350 spent for the purchase of proven oil and gas reserves.

In addition to its own expenditures, Bow Valley managed \$2,983,484 on behalf of its exploration participants, the company receiving an administration fee and a 25% net profits interest after payout.

The company had interests in sixty wells drilled during the year. The net figures which are shown in the table exclude any interests earned by Bow Valley in consequence of the 25% net profits arrangement with the company's participants. In addition to the drilling statistics presented in the table, the company farmed out lands, retaining an interest, on which a total of fourteen wells were drilled. One of these wells has been completed as a gas well and the remainder were abandoned.

#### DRILLING ACTIVITY – FISCAL 1968

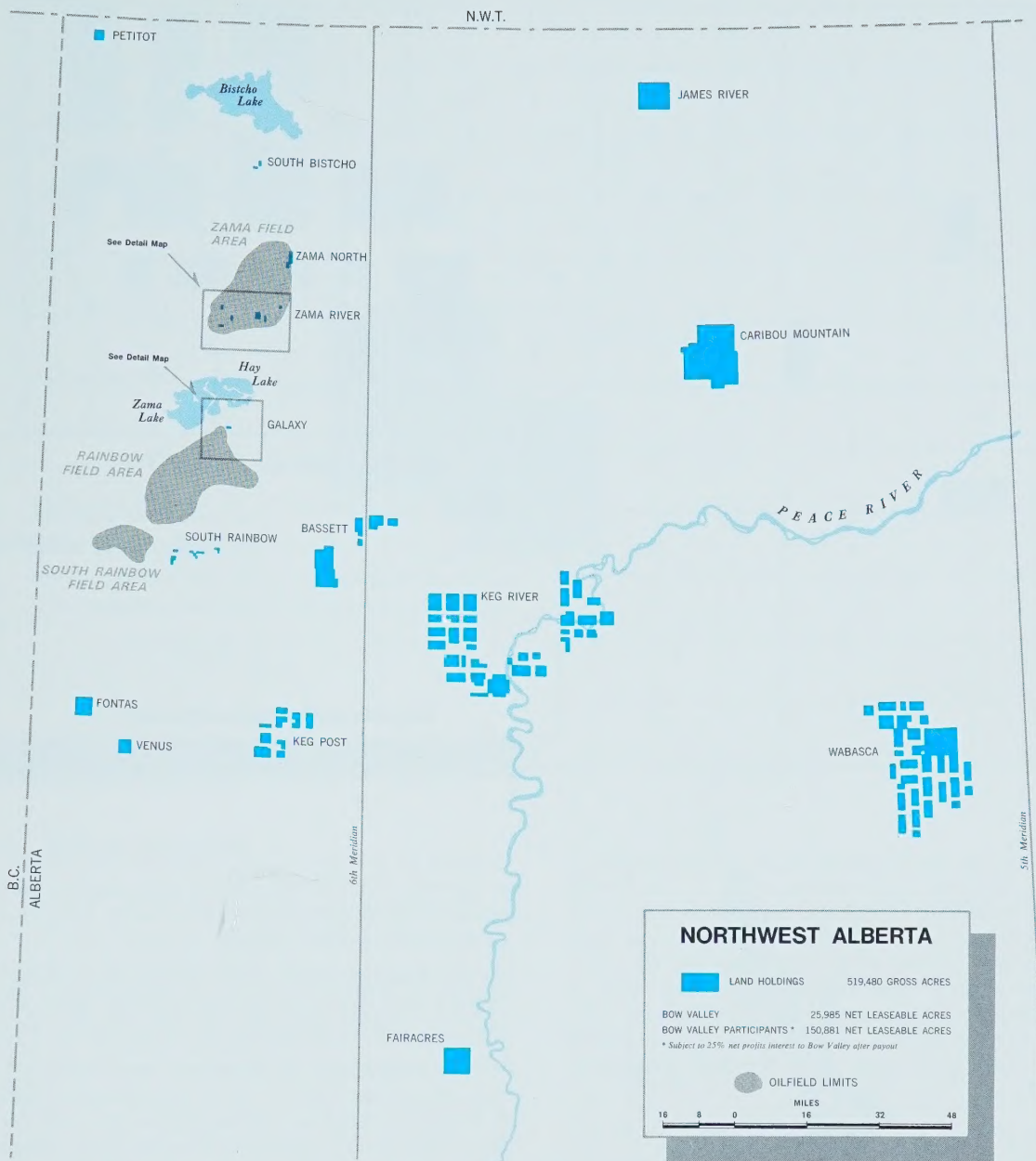
##### Development Wells

TOTAL		OIL		GAS		ABANDONED	
Gross	Net	Gross	Net	Gross	Net	Gross	Net
23	5.00	20	4.57	1	0.10	2	0.33

##### Exploratory Wells

TOTAL		OIL		GAS		ABANDONED	
Gross	Net	Gross	Net	Gross	Net	Gross	Net
37	6.19	4	0.38	4	0.56	29	5.25





## Arctic Exploration

During the past year Bow Valley made a major effort to increase its land position in areas which it felt would experience future exploration activity. Particular emphasis was placed on the Canadian Arctic resulting in the company's participation in exploration of the Arctic Islands through Panarctic Oils Ltd. and the acquisition of substantial land positions in the Mackenzie Delta area of the arctic coast. Maps of the Canadian Arctic showing Bow Valley's land position in the Mackenzie Delta and the acreage committed to Panarctic appear at the back of this report.

The recently announced discoveries by the Atlantic-Richfield-Humble group in the Prudhoe Bay area on the north slope of Alaska have confirmed geological opinion that the North American Arctic has the potential of becoming a major oil-producing area. The Mackenzie Delta area of the Canadian Arctic Coastal Plains is approximately 350 miles east of

Prudhoe Bay. The Imperial-British American-Shell group are presently moving in drilling equipment to an announced exploratory drill site in the Mackenzie Delta thirty miles from Bow Valley's acreage.

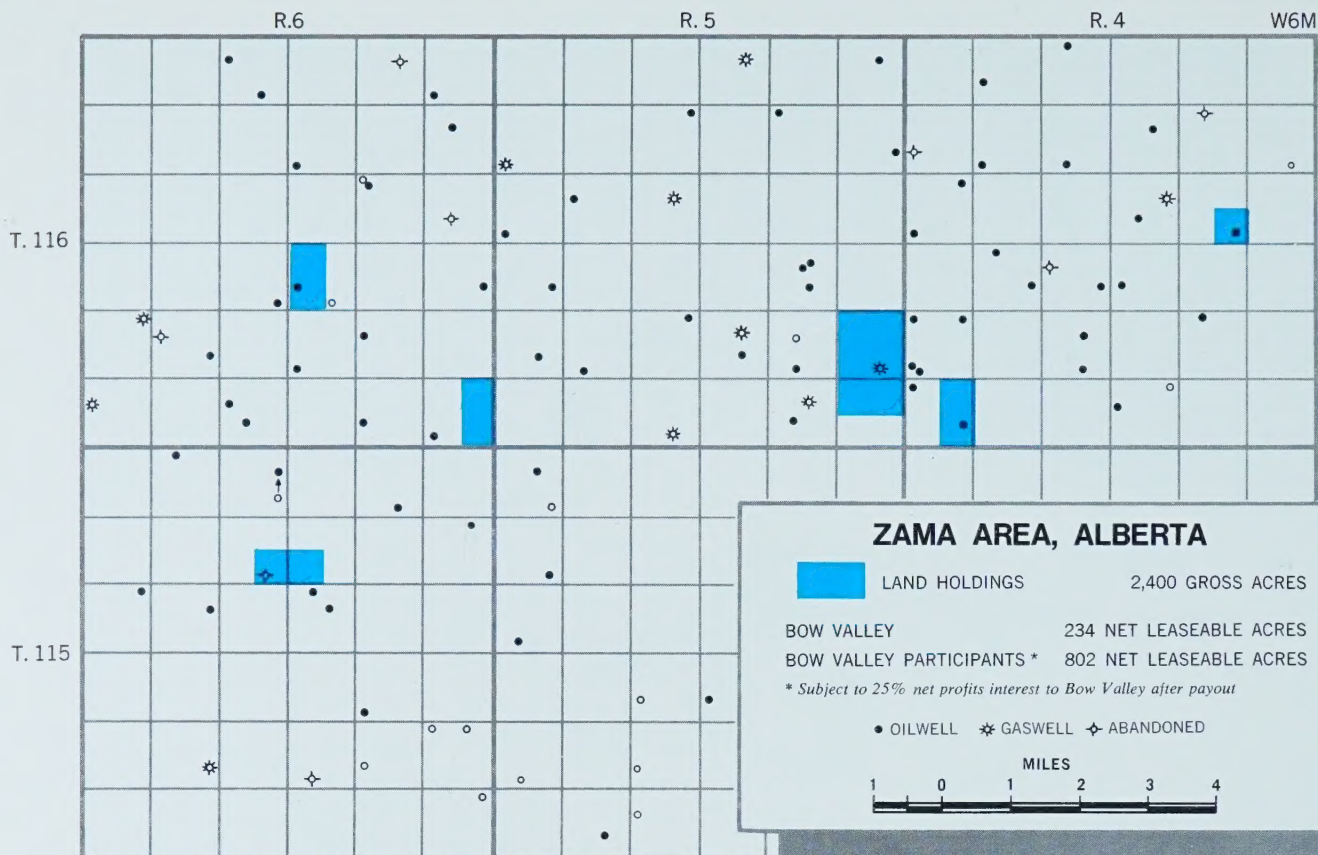
Panarctic Oils Ltd. began field operations in the spring of 1968 with seismic surveys on Melville Island. Seismic work is continuing and the drilling program is scheduled to begin in early 1969.

## Northwest Alberta

Bow Valley maintains an active interest in northwest Alberta by participating in seismic and drilling programs and by farming out portions of its holdings for work commitments.

The map of northwest Alberta shows the company's land holdings in that area. Larger scale maps have also been provided to show in detail Bow Valley's interests in the Zama River and Galaxy areas.





Bow Valley and its participants have various working interests in a total of 2,400 lease acres in the **Zama Field** area. Producing Keg River oil wells are located on these lands in Lsd. 5-15-116-6-W6M and in Lsd. 8-6-116-4-W6M. A well in Lsd. 1-23-116-4-W6M has recently been drilled and is awaiting completion, and a capped Sulphur Point gas well is located in Lsd. 2-12-116-5-W6M. The company is maintaining an active interest in the Zama area and further programs are planned.

**Galaxy** is located in the northeastern portion of the Rainbow Field area. Bow Valley and its participants purchased the south half of Section 1 (320 acres) in Township 112, Range 6, W6M at the Alberta Crown sale held in April 1968. Several wells in the near vicinity have indicated Keg River oil production and the company plans to drill this prospect in the 1968-69 winter season.

Exploratory tests in the **Venus, South Rainbow, and Petitot** areas were drilled and abandoned during the past year.

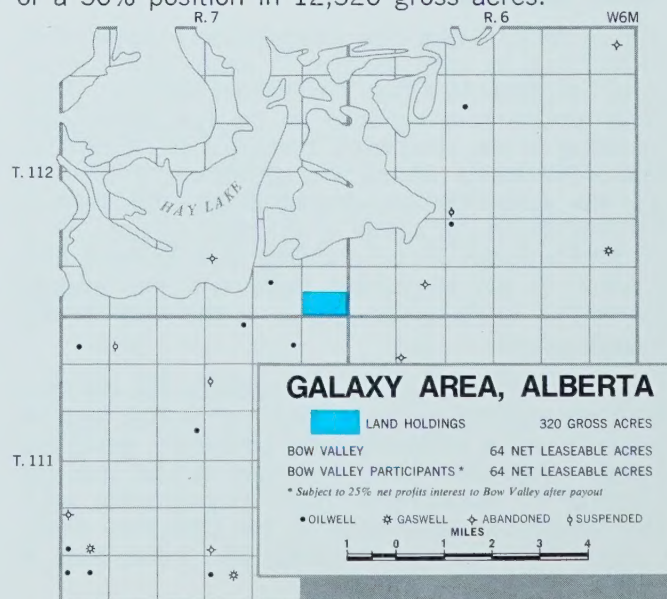
In the **James River** area, Bow Valley and its participants have a 16% interest in 13,400 gross acres. To date this area has received very little exploratory effort. However, the company anticipates that an expanded industry program for this part of Alberta will take place during the 1968-69 winter season.

Bow Valley and its partners have made a number of selective farmouts in the **Keg Post, Keg River, Wabasca and Caribou Mountain** areas. Last winter farmees drilled three exploratory tests on lands in which the company has an interest, all of which

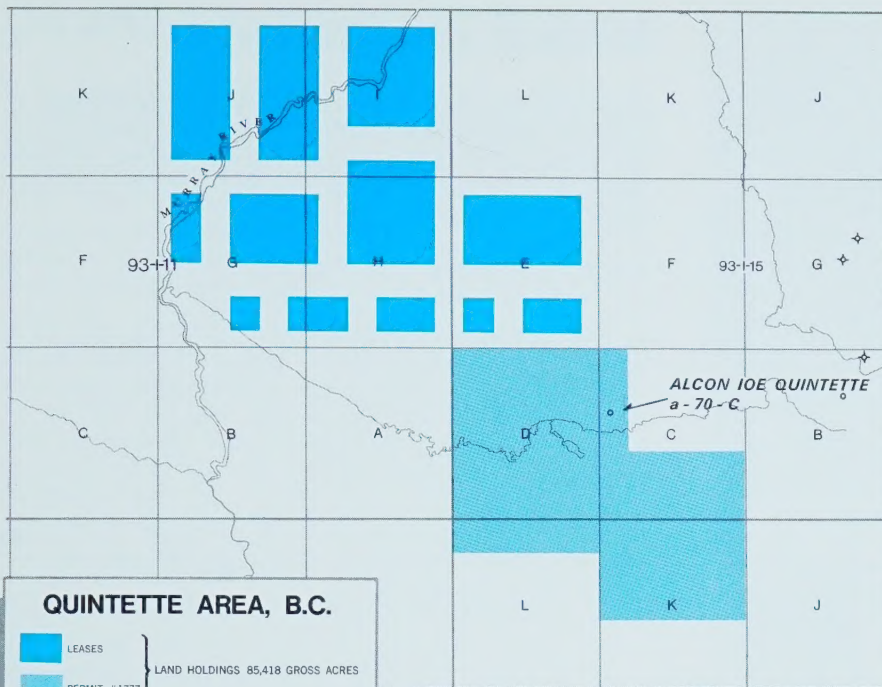
proved to be dry holes. Several farmouts involved programs for the 1968-69 winter season and further evaluation of the company's lands will be obtained at no cost to Bow Valley.

In the **Fontas** area, Bow Valley and partners completed one crew-month of seismic this past winter and no further program is planned for 1968.

In the **Fairacres** area, one crew-month of seismic has been completed and an anomaly delineated. A Precambrian test will be drilled this fall to evaluate the anomaly. The well will earn Bow Valley and its participants a 25% position in 23,040 gross acres or a 50% position in 12,520 gross acres.





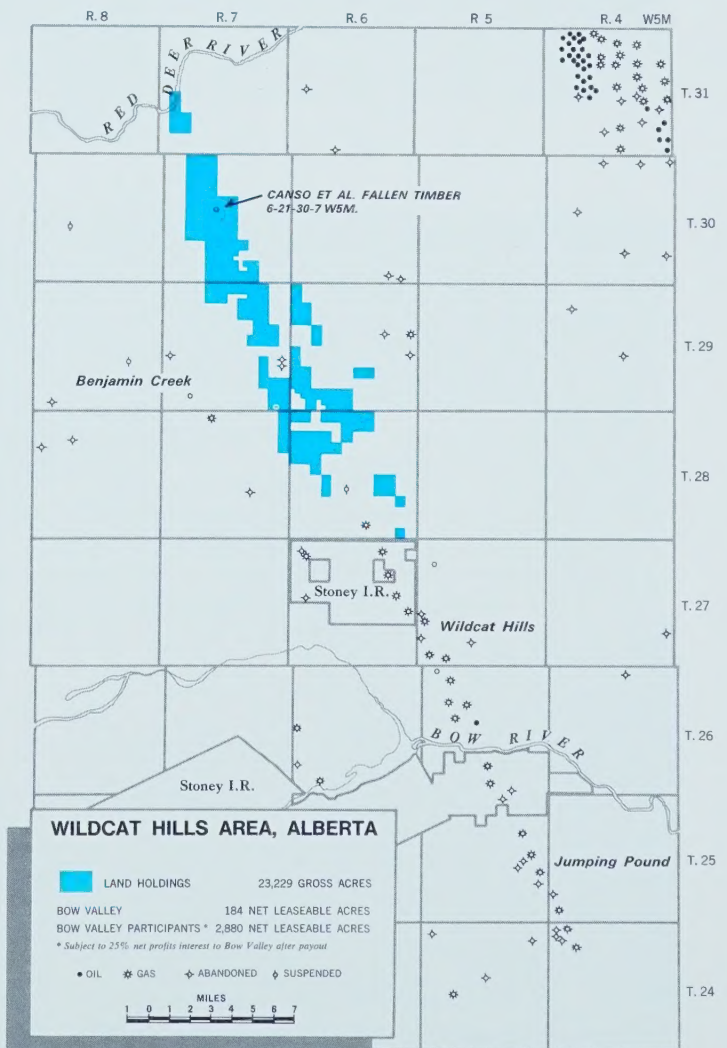


## Quintette, British Columbia

Bow Valley is currently drilling a 9,000' test in the foothills belt of northeastern British Columbia to evaluate the gas potential of the Triassic and Mississippian formations. The Quintette well is located on a large structure which has been mapped by surface geology and seismic and is on trend with a Triassic gas discovery located approximately 45 miles to the northwest. The prospect is a farmout from Imperial Oil and the drilling of the well will earn Bow Valley and its participants a 50% interest in 42,629 acres of Imperial leases. The exploratory test is being drilled on a 42,789 acre permit owned by Bow Valley and its participants with Imperial having the right to purchase a 50% interest in the permit upon completion of the well.

## Wildcat Hills, Alberta

The Wildcat Hills map shows the location of another foothills gas test in which Bow Valley is currently participating. The map outlines the Jumping Pound-Wildcat Hills area located in the foothills belt west of the City of Calgary. Jumping Pound and Wildcat Hills are major producing Mississippian gas fields. Bow Valley, in conjunction with other partners, is currently drilling a Mississippian test on trend with the producing fields to the southeast. The acreage shown in color is a farmout from Shell Canada Limited which involves 23,229 lease acres. The well will earn Bow Valley and its participants a 12½% working interest in these lands.



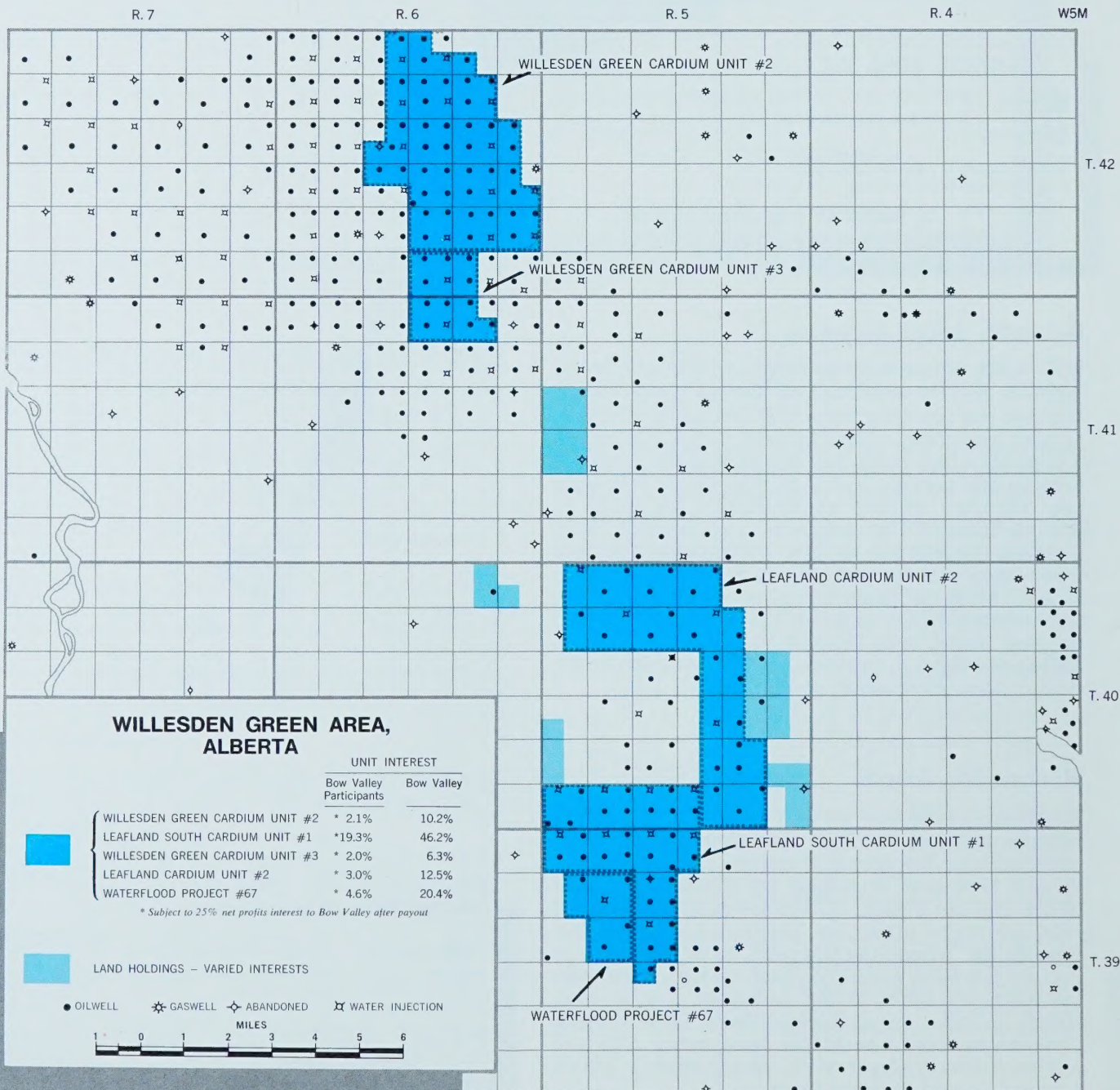


## Willesden Green, Alberta

Bow Valley owns working interests varying from 18.75% to 100% in producing oil wells in several areas of the Willesden Green Cardium oil field in west central Alberta. Nearly all of the producing properties are unitized with other operators and these units are presently being waterflooded to increase the oil recovery from the producing reservoir. These various unit areas and other non-unitized properties are shown on the accompanying map of the Willesden Green area. The company participated in the drilling of 16 oil wells in this field in fiscal 1968, and a limited program is planned for 1969.

## Mineral Exploration

Bow Valley participates with other companies in mineral exploration projects. At the present time one program is under way in Saskatchewan and two other ventures are being carried out in northern British Columbia.





## Oil and Gas Contract Drilling

Bow Valley's oil and gas contract drilling divisions, Antelope Drilling, Hi-Tower Drilling and Sedco Exploration, drilled 1,245,012 feet of hole in fiscal 1968 compared to 1,247,948 feet in the previous year. The contract drilling business in Canada continued to be highly competitive with the level of activity adversely influenced by the lack of large scale development drilling.

With the growing interest which is developing in arctic exploration, Bow Valley is concentrating more effort on contract drilling operations in the far north. As a fifty percent participant in a joint contract drilling venture, Bow Valley was successful in securing a contract for a three-year drilling program from Panarctic Oils Ltd. in the Arctic Islands of Canada. The joint venture has purchased a new 12,000' drilling rig, transportable by aircraft. The new rig, which is expected to be delivered in September 1968, will be flown to a Panarctic location.

Bow Valley owns thirty production drilling rigs, nineteen seismic rigs and five structure test hole rigs.



Hi-Tower Drilling Rig No. 6 on location

Seismic drill and water truck leaving for field work





## Aviation Services

During fiscal 1968, Bow Valley acquired all the outstanding stock of Bullock Wings & Rotors Ltd.

Bullock began operations in 1959 with two helicopters and now operates a helicopter charter service with a fleet of twenty-one helicopters, of which twelve are jet-powered. The principal base is in Calgary with a secondary base at Golden, British Columbia. Designated points include Yellowknife, Northwest Territories, and Dawson Creek, British Columbia.

Bullock's versatile fleet of helicopters, which provide service to many different segments of government and industry, varies from the large eleven-place turbine-powered Bell 204-B to the small utility helicopter utilized by government and industry survey crews.

At the present time Bullock has nineteen of its fleet in operation with two aircraft undergoing major overhauls. Nine of its helicopters are under contract to oil and gas exploration companies in the arctic regions, seven on the Arctic Coast and two in the Arctic Islands.

Helicopter support is a basic component of the exploration effort in the Canadian north. In addition to the services provided in transporting personnel and supplies, Bullock equipment is capable of air-lifting specially designed drilling rigs and seismic drill equipment.

Bullock contracts helicopters to the Dominion and Provincial governments including equipment used in fire-fighting operations in Alberta and British Columbia. Bullock also works for the mining industry from its base at Golden, British Columbia.



Bullock turbo-powered Bell 204B at work on drilling location



# Mining Contract Drilling

T. Connors Diamond Drilling Company Limited was founded in May, 1926 at Kimberley, British Columbia. The main office was moved to Vancouver in 1934. The company has maintained activity in the original area and the present branch premises consist of an office and shop located in Nelson, British Columbia.

The main activity of the company is in the mining industry. Connors conducts a contract core drilling operation in the exploration for, and the development of, mineral deposits. The company also carries out contract core drilling for the petroleum industry and is engaged in foundation investigation and testing for the construction industry.

Connors operates mainly in British Columbia and the Northwest Territories from headquarters in Vancouver. Work is also performed elsewhere in Canada. The company has 43 surface drills with capacities from 100 feet to 4000 feet in depth, and 18 underground drills with capacities of 100 feet to 2000 feet. Approximately 50% of the surface drills are less than two years old.

In 1967, Connors was engaged on forty-seven contracts with thirty-five clients. The clients are primarily the larger mining companies. The size of the contracts ranged from 526 feet of drilling to 82,186 feet of drilling for a total footage in excess of 400,000 feet.



Connors Rig working in the Princeton area, British Columbia



## Sales of Oilfield Equipment & Supplies

The company's sales of oilfield equipment and supplies are conducted through its Cardwell division and the company's wholly-owned subsidiary, Cardwell Supply Ltd. Bow Valley handles, in certain cases as exclusive distributor, most of the major items required in the drilling, servicing, and production phases of the oil industry. The company is also engaged in the sale of industrial supplies.

Sales distribution is effected through seven stores located in Alberta, Saskatchewan and British Columbia. Sales volume in 1968 was up approximately 33% over the preceding year due to the warehousing activities which Cardwell Supply Ltd. performs for Great Canadian Oil Sands Limited's extraction plant in the Athabasca Oil Sands area of northeastern Alberta.



Inside Cardwell's Edmonton warehouse

## Manufacture of Gas Heating Units

Bow Valley's Flame-Master division manufactures and sells residential and commercial forced-air furnaces, gas conversion burners, industrial type burners, and industrial direct-fired air heaters. In addition to its manufacturing operations, Flame-Master distributes air conditioning units and specialty space heaters.

Flame-Master commenced operations in Edmonton in 1952. The plant and general offices are still in Edmonton with a branch office and warehouse in Calgary. The plant consists of approximately 30,000 sq. ft. of which 10,000 sq. ft. were built during the summer of 1968.

The current outlook for Flame-Master is favorable with further growth in the division's business expected during fiscal 1969.



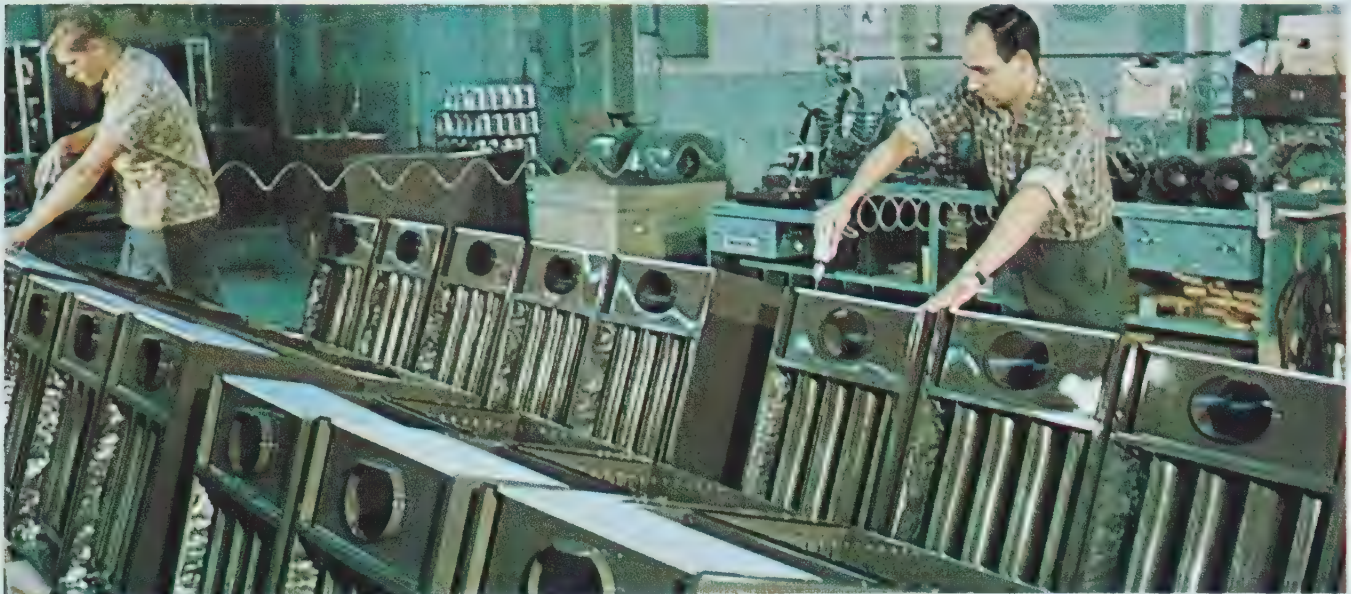
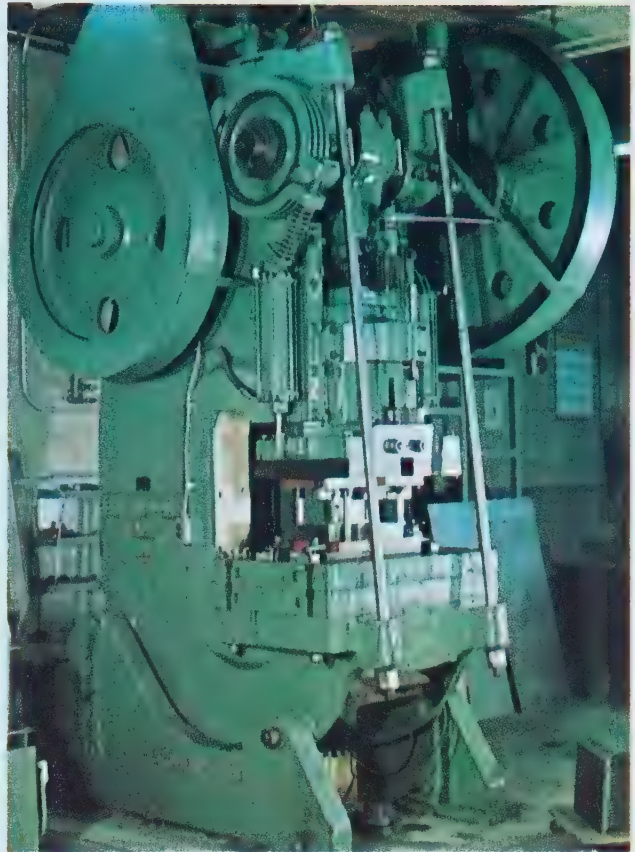
Flame-Master's 1968 models



110 ton sheet metal press stamps  
one component every two seconds



Flame-Master's Edmonton showroom



Flame-Master assembly line

## AFFILIATED COMPANIES


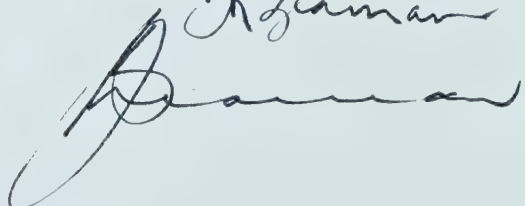
Bow Valley owns approximately 33% of the issued and outstanding stock of NORTHWARD AVIATION LTD. Northward operates thirteen aircraft of which two are leased. Northward's activities are principally directed to the Canadian Arctic regions. Bases are maintained at Norman Wells, Cambridge Bay, Yellowknife and Inuvik in the Northwest Territories. The increase anticipated in arctic exploration is expected to benefit Northward's operations.

Bow Valley continues to own approximately 10% of WESTERN ROCK BIT COMPANY LIMITED, a Calgary-based manufacturer of drilling bits and 20% of PAN-OCEANIC DRILLING LTD which, through a subsidiary, carries on a contract oil and gas well drilling business in Australia.

Current developments affecting the company's interest in CASTLE OIL & GAS LIMITED have been discussed in the President's Report.



## Consolidated Balance Sheet

Assets		1968	1967 (Note 1)
<b>Current Assets</b>			
Cash, including deposit receipts . . . . .		\$ 1,147,532	\$ 378,605
Short term investments, at cost which approximates market value . . . . .		—	171,965
Accounts receivable —			
Trade . . . . .		4,896,180	4,306,925
Other . . . . .		284,903	369,917
Inventory of materials, supplies and merchandise (Note 3) . . . . .		5,635,869	4,327,373
Prepaid expenses . . . . .		312,487	155,540
		<u>12,276,971</u>	<u>9,710,325</u>
<b>Capital Assets, at cost (Note 4) . . . . .</b>		<b>23,280,815</b>	<b>20,907,990</b>
Less — Accumulated depreciation and depletion . . . . .		<u>8,305,447</u>	<u>7,112,514</u>
		<u>14,975,368</u>	<u>13,795,476</u>
<b>Cost of Investment in Subsidiaries in Excess of Book Value,</b>			
at date of acquisition (Note 1) . . . . .		1,149,102	720,204
<b>Other Assets and Deferred Charges</b>			
Interest in Panarctic Oils Ltd., at cost . . . . .		452,879	—
Investments (at cost) in and advances to associated companies . . . . .		671,545	656,921
Sundry assets . . . . .		187,146	332,746
Unamortized deferred charges (Note 5) . . . . .		609,284	566,916
		<u>1,920,854</u>	<u>1,556,583</u>
Approved on behalf of the Board:			
			
Director			
			
Director			
		<u>\$30,322,295</u>	<u>\$25,782,588</u>



**May 31, 1968** - (Canadian dollars)

<b>Liabilities</b>		
	<u>1968</u>	<u>1967</u> (Note 1)
<b>Current Liabilities</b>		
Operating bank loans, secured (Note 2) . . . . .	\$ 550,000	\$ 1,463,800
Bankers' acceptances, secured (Note 2) . . . . .	3,200,000	900,000
Accounts payable and accrued . . . . .	4,415,458	4,049,615
Amount owing on purchase of a subsidiary company . . . . .	300,000	—
Estimated income taxes payable . . . . .	20,000	101,619
Long term debt due within one year . . . . .	856,634	1,833,946
	<u>9,342,092</u>	<u>8,348,980</u>
<b>Long Term Debt</b> (Note 6) . . . . .	4,684,079	6,430,208
<b>Deferred Income Taxes</b> (Note 8) . . . . .	391,645	366,239
<b>Minority Shareholders' Interests</b> in subsidiary companies . . . . .	—	763,309
<b>Shareholders' Equity</b>		
Share capital (Note 7) —		
5½% Cumulative redeemable preferred shares		
Series A of a par value of \$20 each —		
Authorized and issued — 100,000 shares		
Outstanding — 94,980 shares (1967 — 97,480) . . . . .	1,899,600	1,949,600
Common shares of no par value —		
Authorized — 4,000,000 shares		
Issued and outstanding — 2,982,894 shares		
(1967 — 2,378,894) . . . . .	6,983,743	1,816,303
Capital redemption reserve fund, on redemption of preferred shares . . . . .	100,400	50,400
Contributed surplus, on redemption of preferred shares . . . . .	17,625	6,750
Retained earnings, per statement attached (Note 9) . . . . .	6,903,111	6,050,799
	<u>15,904,479</u>	<u>9,873,852</u>
<b>Contingent Liabilities and Commitments</b> (Note 10)		
	<u>\$30,322,295</u>	<u>\$25,782,588</u>



# BOW VALLEY INDUSTRIES LTD. and Subsidiary Companies

## Consolidated Statement of Income

For the year ended May 31, 1968 — (Canadian dollars)

	<u>1968</u>	<u>1967 (Note 1)</u> Restated for 1968 poolings of interests	<u>1967</u> As previously reported
<b>Income</b>			
Contract drilling —			
Oil and gas . . . . .	\$ 9,235,048	\$ 9,597,144	\$ 9,597,144
Mining . . . . .	2,684,572	2,084,677	—
Sales of oilfield equipment and supplies . . . . .	11,648,651	8,760,652	8,760,652
Oil and gas sales, less royalties . . . . .	1,467,370	1,462,566	1,462,566
Aviation services . . . . .	2,196,406	2,092,524	—
Sales of heating equipment . . . . .	346,877	—	—
Other . . . . .	492,860	490,187	475,804
	<u>28,071,784</u>	<u>24,487,750</u>	<u>20,296,166</u>
<b>Costs and Expenses</b>			
Cost of sales . . . . .	10,974,099	6,925,975	6,925,975
Operating costs . . . . .	11,444,781	10,675,694	7,811,804
General and administrative . . . . .	2,131,239	2,432,589	1,961,620
Depreciation and depletion . . . . .	1,673,784	1,576,665	1,410,158
Dry-hole costs and properties abandoned . . . . .	195,293	220,962	220,962
Amortization of deferred charges . . . . .	84,376	71,673	71,673
Interest expense . . . . .	663,472	615,206	537,011
	<u>27,167,044</u>	<u>22,518,764</u>	<u>18,939,203</u>
	904,740	1,968,986	1,356,963
<b>Taxes on Income (Note 8)</b>			
Current . . . . .	(32,800)	135,966	33,064
Deferred . . . . .	53,460	180,426	—
	<u>20,660</u>	<u>316,392</u>	<u>33,064</u>
<b>Income Before the Following Deductions . . . . .</b>	<u>884,080</u>	<u>1,652,594</u>	<u>1,323,899</u>
Minority shareholders' interest in income of subsidiary companies . . . . .	—	250,149	250,149
Portion of net income of pooled company applicable to capital stock purchased (Note 1) . . . . .	19,374	50,006	—
<b>Income Before Extraordinary Items . . . . .</b>	<u>864,706</u>	<u>1,352,439</u>	<u>1,073,750</u>
Excess of fire loss claims over book value of assets destroyed . . . . .	(28,054)	101,703*	—*
Gain on sale of interests in oil and gas properties . . . . .	301,999	137,796	137,796
Gain on sale of investment in shares of a subsidiary company . . . . .	126,123	—	—
	<u>400,068</u>	<u>239,499</u>	<u>137,796</u>
<b>Net Income . . . . .</b>	<u><u>\$ 1,264,774</u></u>	<u><u>\$ 1,591,938</u></u>	<u><u>\$ 1,211,546</u></u>
<b>Earnings per Common Share</b> — (Based on average number of shares outstanding and two-for-one stock split on October 31, 1967)			
Income applicable to common shares before extraordinary items . . . . .	\$ .31	\$ .52	\$ .45
Extraordinary items . . . . .	.16	.10	.07*
Net income . . . . .	<u><u>\$ .47</u></u>	<u><u>\$ .62</u></u>	<u><u>\$ .52</u></u>
<b>Pro Forma Net Income</b> , assuming exercise of all outstanding warrants and stock options and application of proceeds to reduce long term indebtedness and interest expense . . . . .	<u><u>\$ .46</u></u>		

\*The 1967 data "As previously reported" excludes the extraordinary item of \$101,703 (\$.04 per common share) which was credited to retained earnings.



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**BOW VALLEY INDUSTRIES LTD. and Subsidiary Companies****Consolidated Statement of Source and Application of Funds**

For the year ended May 31, 1968 — (Canadian dollars)

	<u>1968</u>	<u>1967</u> (Note 1)
<b>Source of Funds</b>		
Operations —		
Income before extraordinary items . . . . .	\$ 864,706	\$ 1,352,439
Add — Non-cash charges, including depreciation and depletion, dry hole costs and properties abandoned, amortization of deferred charges and deferred taxes on income . . . . .	2,026,287	2,349,881
	<u>2,890,993</u>	<u>3,702,320</u>
Proceeds from extraordinary items —		
Sale of interests in oil and gas properties . . . . .	410,000	365,661
Sale of investment in shares of a subsidiary company, less working capital of \$322,495 . . . . .	516,008	—
Fire loss claims . . . . .	220,995	156,824
	<u>1,147,003</u>	<u>522,485</u>
Common shares issued for cash, less costs of issue . . . . .	5,167,440	315
Increase in long term debt — net . . . . .	—	373,813
Other . . . . .	84,007	227,282
	<u>9,289,443</u>	<u>4,826,215</u>
<b>Application of Funds</b>		
Net additions to capital assets —		
Land, buildings, drilling and other equipment . . . . .	1,644,928	2,453,196
Developed and undeveloped oil and gas properties . . . . .	2,332,072	3,335,927
Interest in Panarctic Oils Ltd. . . . .	452,879	—
Investments in and advances to associated companies . . . . .	14,624	76,076
Cash requirements on acquisition of interests in subsidiaries . . . . .	1,532,673	125,000
Decrease in long term debt — net . . . . .	1,337,146	—
Redemption of preferred shares . . . . .	39,125	35,250
Cash dividends paid . . . . .	362,462	301,524
Other . . . . .	—	267,591
	<u>7,715,909</u>	<u>6,594,564</u>
<b>Increase (decrease) in working capital . . . . .</b>	<b>1,573,534</b>	<b>(1,768,349)</b>
<b>Working capital, beginning of year . . . . .</b>	<b>1,361,345</b>	<b>3,129,694</b>
<b>Working capital, end of year . . . . .</b>	<b><u>\$ 2,934,879</u></b>	<b><u>\$ 1,361,345</u></b>



## Consolidated Statement of Retained Earnings

For the year ended May 31, 1968 — (Canadian dollars)

	<u>1968</u>	<u>1967</u>
<b>Balance, beginning of year</b>		
(restated for poolings of interests — Note 1) . . . . .	\$6,050,799	\$4,703,190 (1)
Net income for the year . . . . .	1,264,774	1,591,938
Portion of net income of pooled subsidiaries for the five months ended May 31 1967 (Note 1) . . . . .	—	108,195
	<u>7,315,573</u>	<u>6,403,323</u>
 <b>Deduct —</b>		
Cash dividends paid —		
Preferred shares (5½%) . . . . .	105,853	108,131
Common shares (1968 — \$ .10 per share; 1967 — \$ .09 per share) .	256,609	193,393
Portion of cash dividends paid by Bullock Wings & Rotors Ltd. on common shares prior to acquisition (Note 1) . . . . .	—	9,000
	<u>362,462</u>	<u>310,524</u>
Amount transferred to capital redemption reserve fund (2) . . . . .	50,000	42,000
	<u>412,462</u>	<u>352,524</u>
<b>Balance, end of year</b> . . . . .	<u><u>\$6,903,111</u></u>	<u><u>\$6,050,799</u></u>
 (1) Balance, May 31, 1966 as previously reported . . . . .	\$4,187,160	
Poolings of interests in March 1968 (Note 1) . . . . .	516,030	
Balance, May 31, 1966 as restated . . . . .	<u><u>\$4,703,190</u></u>	
 (2) Pursuant to the Alberta Companies Act.		



# Notes to Consolidated Financial Statements

## 1. Accounting Presentation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. In December 1967 the Company acquired, for cash, the outstanding shares of Flame-Master Ltd. The transaction has been accounted for as a purchase and the earnings of the subsidiary have been included since that date. In March 1968 the Company acquired the outstanding shares of T. Connors Diamond Drilling Company Limited and Bullock Wings & Rotors Ltd. in exchange for previously unissued common shares plus a cash consideration for the latter company. These transactions have been accounted for as "poolings of interests", except for the cash consideration portion of the acquisition of Bullock Wings & Rotors Ltd. (25%) which has been treated as a purchase. Accordingly, (a) the consolidated financial statements at May 31, 1968 and May 31, 1967, and for the fiscal years then ended, include the accounts of both companies; the results of operations of the two subsidiaries included in the 1967 consolidated statement of income are those for their fiscal years ended December 31, 1966 and January 3, 1967, respectively as it was considered impractical to compile prior financial information on the same fiscal year basis used by the Company, (b) the net income of the two subsidiaries for the five months ended May 31, 1967 has been reflected as an adjustment of consolidated retained earnings, and (c) the portion of net income of Bullock Wings & Rotors Ltd., for the period prior to date of acquisition, deemed to be applicable to the capital stock purchased for cash, has been deducted in arriving at consolidated net income for the 1968 and 1967 fiscal years.

Effective June 1, 1967, the Company sold its 60% shareholdings in Canadian Oil Tool Limited.

The cost of investment in subsidiaries in excess of book value at date of acquisition, other than the portion allocated to tangible assets, relates mainly to the acquisition of certain subsidiaries in 1960 and to the purchase part of the acquisition of Bullock Wings & Rotors Ltd. in March 1968. Management believes there are no reasons to expect any significant decrease in the value of this intangible asset and accordingly does not presently contemplate amortization of any portion of such excess cost.

## 2. Current Assets Subject to Liens

During the 1967 fiscal year two subsidiary companies issued floating charge debentures, payable on demand, of \$2,000,000 each on their current assets as security for bankers' acceptances of such subsidiaries. In addition, such subsidiaries have granted a specific charge on certain of their inventory and the Company and each active subsidiary have given a general assignment of receivables to secure their respective bank obligations.

## 3. Inventory of Materials, Supplies and Merchandise

The inventory, which is valued at the lower of cost (average cost method) or net realizable value, was comprised of the following:

	1968	1967
Finished goods, consisting mainly of merchandise purchased for resale . . . . .	\$4,570,267	\$3,847,493
Work in progress . . . . .	1,615	109,700
Raw materials . . . . .	87,386	123,998
Materials and supplies . . . . .	976,601	246,182
	<u>\$5,635,869</u>	<u>\$4,327,373</u>

The finished goods inventory includes merchandise valued at \$3,212,505 at May 31, 1968 (May 31, 1967 – \$1,446,495), excluding costs of freight and duty, which is held exclusively for sale to Great Canadian Oil Sands Limited. Such inventory items are sold at cost, plus a fee, and freight and duty on items purchased are reimbursed currently. The agreement between the companies is on a year-to-year basis, subject to termination by either party on 90 days notice with provision for the purchase at cost (as defined) by Great Canadian Oil Sands Limited of the inventory on hand at the time of termination.

## 4. Capital Assets and Depreciation and Depletion Policies

		1968		1967
	Cost	Accumulated depreciation and depletion	Net book value	Net book value
Drilling and related equipment . . . . .	\$ 9,446,810	\$5,830,336	\$ 3,616,474	\$ 3,862,844
Developed and undeveloped oil and gas properties and equipment . . . . .	10,498,064	2,094,290	8,403,774	7,403,032
Helicopters and related equipment . . . . .	2,205,823	238,688	1,967,135	1,574,169
Land and buildings . . . . .	1,130,118	142,133	987,985	955,431
	<u>\$23,280,815</u>	<u>\$8,305,447</u>	<u>\$14,975,368</u>	<u>\$13,795,476</u>

In recognition of the probability that the options to purchase three helicopters pursuant to lease option agreements will be exercised, the transactions have been treated as conditional purchases of equipment and the lease rights of \$775,674 at May 31, 1968 are included in capital assets.

Depreciation of drilling and related equipment is calculated by the diminishing balance method, mainly at the rate of 20%, and depreciation of oil and gas well and battery equipment by the straight line method at the rate of 10%. Depreciation of helicopter equipment is calculated by the straight line method, mainly at the rate of 10% of cost, less estimated residual value of 40%. Depletion of producing properties and well costs is provided for by the unit of production method, based on estimated oil and gas reserves. Lease rentals on non-producing oil and gas properties and costs of dry holes and surrendered properties are expensed.



## 5. Unamortized Deferred Charges

Preferred share issue expense and long term debt issue expense of \$297,456 at May 31, 1968 is being amortized over a period of ten years and over the terms of the issues, respectively. Other deferred charges of \$154,440 at May 31, 1968 are being amortized mainly over a period of five years.

## 6. Long Term Debt

	<u>1968</u>	<u>1967</u>
Company:		
Bank loans, at current rate of interest . . . . .	\$ —	\$ 474,110
7% Sinking Fund Debentures Series A, due March 1, 1986, redeemable with annual sinking fund instalments of \$158,000 each due 1969 to 1985 inclusive . . . . .	3,684,000	3,842,000
Obligation as participant in Panarctic Oils Ltd., payable within a three year period which commenced October 1, 1967 . . . . .	351,236	—
Non-interest bearing note . . . . .	—	15,000
	<u>4,035,236</u>	<u>4,331,110</u>
Subsidiaries:		
Bank loans at current rate of interest, repayable at the rate of \$6,250 per month, secured by oil and gas producing properties . . . . .	304,247	2,695,934
Notes payable on equipment purchases with varying interest rates, due 1969 to 1971, secured by retention of title . . . . .	298,437	430,935
Equipment purchase agreements in the amount of \$326,507 (U.S.), secured by retention of title, repayable in monthly instalments of \$13,707 (U.S.), including interest . . . . .	352,623	223,693
Equipment rental obligations under lease/option to purchase agreements (discounted), payable \$217,800 in 1969 and 1970 and the balance in 1971, plus purchase option prices of \$51,305 . . . . .	461,620	411,782
Other term obligations, payable over periods varying from one to three years . . . . .	88,550	170,700
	<u>1,505,477</u>	<u>3,933,044</u>
	5,540,713	8,264,154
Less — Amount due within one year . . . . .	<u>856,634</u>	<u>1,833,946</u>
	<u>\$4,684,079</u>	<u>\$6,430,208</u>

The 7% Sinking Fund Debentures Series A are secured by a first floating charge on all the Company's undertaking subject to permitted encumbrances.

The aggregate maturities of long term debt in each of the five years subsequent to May 31, 1968 are as follows:

1969 — \$856,634;	1970 — \$831,945;	1971 — \$551,473;
1972 — \$248,661;	1973 — \$158,000.	

## 7. Share Capital, Share Purchase Warrants and Share Options

The Company is required to expend \$40,000 per year as a Series A Preferred Share Purchase Fund for the purchase for redemption or retirement of its 5½% Cumulative Redeemable Preferred Shares Series A, provided such shares are available in the open market for purchase at a price not exceeding their par value. During the fiscal year 2,500 preferred shares were purchased and cancelled and the gain arising on cancellation was credited to contributed surplus.

The changes in issued common share capital during the fiscal year were as follows:

	Common shares of no par value	
	Number of shares	Amount
Balance, May 31, 1967 as previously reported . . . . .	2,148,894 (1)	\$1,739,208
Poolings of interests in March 1968 (Note 1) —		
Shares issued as consideration for the outstanding shares of T. Connors Diamond Drilling Company Limited . . . . .	80,000	48,301
Shares issued as part consideration for the outstanding shares of Bullock Wings & Rotors Ltd. . . . .	150,000	28,794
Balance, May 31, 1967 as restated . . . . .	2,378,894	1,816,303
Shares issued for cash pursuant to an agreement with United States and Canadian underwriters, less share issue expenses of \$261,869 . . . . .	600,000	5,134,000
Shares issued for cash upon exercise of—		
Warrants . . . . .	200	950
Employee stock options . . . . .	3,800	32,490
Balance, May 31, 1968 . . . . .	<u>2,982,894</u>	<u>\$6,983,743</u>

(1) As adjusted for two-for-one stock split on October 31, 1967. The stock split has been reflected, where applicable, in the consolidated financial statements and notes thereto.



Of the authorized but unissued common shares 307,106 shares were reserved at May 31, 1968 for issue upon the exercise of:

- (a) Outstanding warrants which entitle the holders thereof to purchase 11,136 common shares of the Company at \$1.875 per share to May 31, 1973 and 199,770 common shares of the Company at \$4.75 per share to July 15, 1970.
- (b) Options granted, or to be granted, as to 96,200 common shares to officers and employees of the companies under the terms of the Company's 1966 Incentive Stock Option Plan.

Details of common shares under option are as follows:

Option price and date of grant	Expiry date	Balance, May 31, 1967	Fiscal year 1968		Balance, May 31, 1968
			Exercised	Granted	
\$ 8.55 – March 3, 1966	March 3, 1971	64,000	3,800	–	60,200
9.03 – December 14, 1967	December 14, 1972	–	–	7,000	7,000
10.21 – May 29, 1968	May 29, 1973	–	–	22,000	22,000
		<u>64,000</u>	<u>3,800</u>	<u>29,000</u>	<u>89,200</u>

## 8. Income Taxes

The Company and subsidiaries, other than Bullock Wings & Rotors Ltd. and T. Connors Diamond Drilling Company Limited, follow the tax payable basis of accounting for income taxes and claim tax depreciation which approximates book depreciation on a cumulative basis. The total taxes otherwise payable have been substantially reduced by claiming allowable deductions in respect of costs incurred from participation in oil and gas programs and acquisitions of oil and gas properties, all of which are capitalized in such companies' accounts and subsequently amortized or written off.

The subsidiaries, Bullock Wings & Rotors Ltd. and T. Connors Diamond Drilling Company Limited, follow the income tax allocation basis of accounting whereby the provision for income taxes relates to the accounting income for the period. The accumulated tax reductions applicable to future years, resulting mainly from claiming tax depreciation in excess of book depreciation, appear in the consolidated balance sheet under "Deferred Income Taxes".

The 1968 provision for taxes on income-current is shown net of \$77,660 loss-carry-back credits.

## 9. Restrictions on Dividends

Under the terms of the Trust Deed for the 7% Sinking Fund Debentures Series A of the Company and the terms of the Series A Preferred Shares, dividends on common shares shall not be declared or paid:

- (a) If after giving effect to such declaration or payment, the aggregate of the consolidated retained earnings and consolidated capital surplus of the Company will be less than \$3,000,000; and
- (b) Unless after giving effect to such dividends the amount of the consolidated retained earnings will be at least 125% of the par value of all preferred shares then issued and outstanding.

At May 31, 1968, approximately \$3,300,000 of consolidated retained earnings was free of these restrictions.

## 10. Contingent Liabilities and Commitments

At May 31, 1968 the Company and/or one or more of its subsidiaries were contingently liable (a) for discounted conditional sales contracts receivable in the amount of \$577,223 and (b) to the extent of \$145,000 for loans obtained by two companies in which the Company has a minority interest.

Litigation relating to (a) an interest in an oil and gas property of the Company and certain subsidiaries and (b) the crash of a helicopter owned by Bullock Wings & Rotors Ltd. (prior to its acquisition by the Company) is pending. In the opinion of counsel for the Company the result of the litigation in the former action should not be unfavourable to the Company and, in the opinion of management of the Company, an unfavourable decision of the Court would not result in any material reduction in capital assets of the Company. In the case of the latter action, in the opinion of management of the Company the terms of the indemnity and pledge arrangements relating to the purchase price being paid by the Company for the share capital of Bullock should adequately protect the Company against loss in the event of unfavourable result of the litigation.

Pursuant to the agreement for the purchase of the outstanding shares of Bullock Wings & Rotors Ltd., an additional amount of \$300,000 will be payable by the Company to the vendors in 1972, subject to certain conditions being met, including an earnings test for the five year period ending January 3, 1972.

## 11. Remuneration of Directors and Senior Officers

The aggregate direct remuneration received by the directors and senior officers of the Company amounted to \$209,403 in 1968.

## Auditors' Report

To the Shareholders of  
BOW VALLEY INDUSTRIES LTD.

We have examined the consolidated balance sheet of Bow Valley Industries Ltd. and subsidiary companies as at May 31, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at May 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CALGARY, Alberta  
July 19, 1968

PRICE WATERHOUSE & CO.  
Chartered Accountants



## BOW VALLEY INDUSTRIES LTD. and Subsidiary Companies

### Eight Year Financial Summary

(as restated for 1967 and prior years to reflect 1968 poolings of interests)

	1968	1967
Gross income . . . . .	\$28,071,784	24,487,750
Depreciation and depletion . . . . .	1,673,784	1,576,665
Income before extraordinary items . . . . .	864,706	1,352,439
Extraordinary items . . . . .	400,068	239,499
<b>Net income</b> . . . . .	<b>1,264,774</b>	<b>1,591,938</b>
Shares outstanding at year-end – (2)		
Common . . . . .	2,982,894	2,148,894
Preferred . . . . .	94,980	97,480
<b>Per common share</b> – (1) and (2)		
Cash flow . . . . .	\$ 1.29	1.49
Income before extraordinary items . . . . .	.31	.52
Extraordinary items . . . . .	.16	.10
Net income . . . . .	.47	.62
Dividends per share – (2)		
Common . . . . .	\$ .10	.09
Preferred . . . . .	1.10	1.10

### Seven Year Financial Summary

(as previously reported in Bow Valley annual reports)

Gross income . . . . .	\$ —	20,433,962
Depreciation and depletion . . . . .	—	1,410,158
<b>Net income</b> . . . . .	<b>—</b>	<b>1,211,546</b>
<b>Per common share</b> – (2)		
Cash flow . . . . .	\$ —	1.31
Net income . . . . .	—	.52

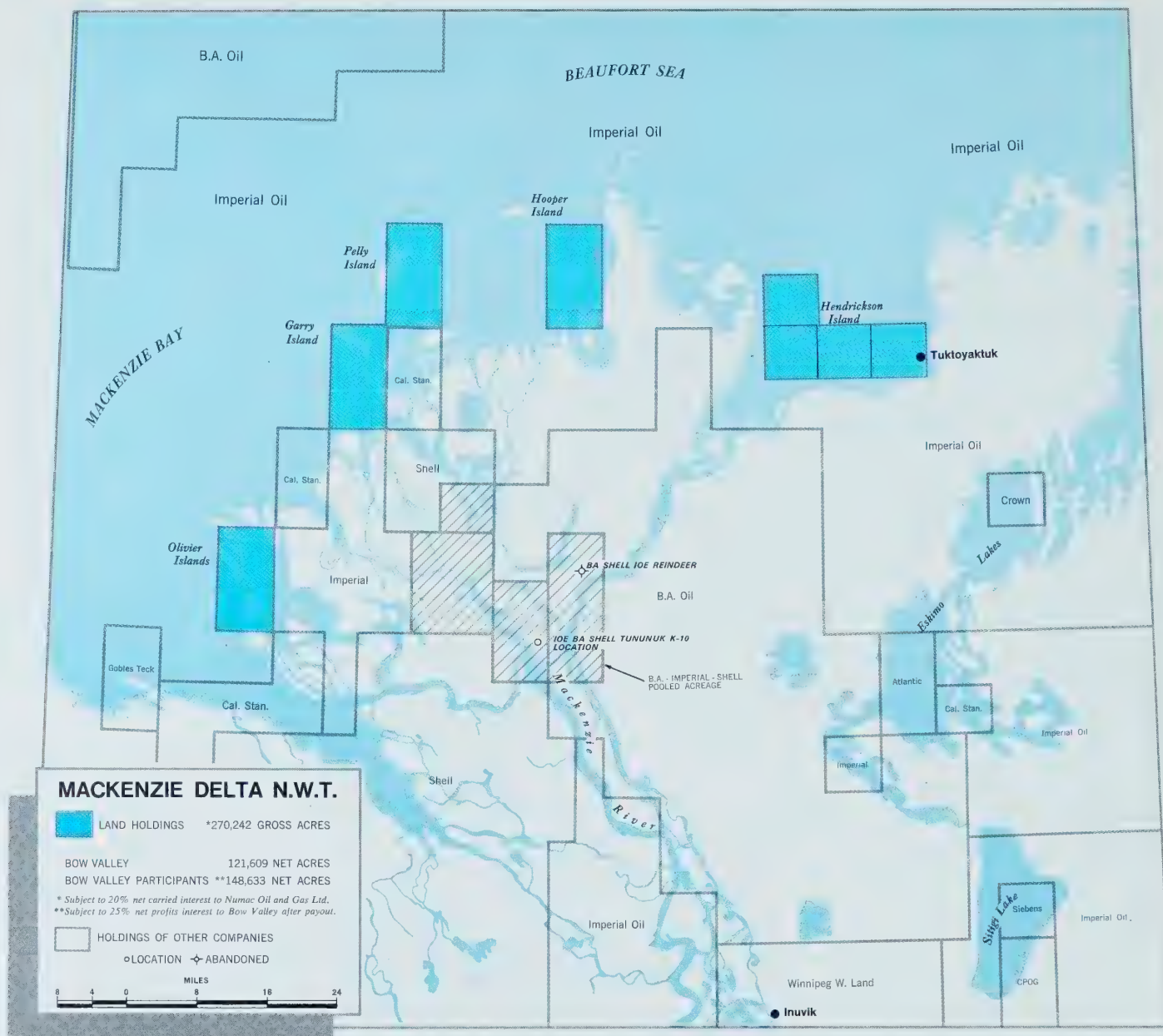
(1) Based on the average number of shares outstanding during the respective years and after deduction of preferred dividends.

(2) Shares outstanding and all per share figures have been adjusted to give effect to the four-for-one stock split in March 1963 and the two-for-one stock split in October 1967.



1966	1965	1964	1963	1962	1961
21,463,440	13,934,063	10,270,664	8,269,537	6,422,435	6,236,103
1,106,607	765,315	589,722	543,197	441,894	405,183
1,439,603	958,798	674,480	540,107	419,498	324,623
220,673	—	—	—	—	—
1,660,276	958,798	674,480	540,107	419,498	324,623
2,148,726	1,985,200	1,760,000	1,720,000	1,600,000	1,600,000
99,580	—	—	—	—	—
1.37	.86	.70	.65	.50	.44
.60	.45	.35	.29	.23	.18
.10	—	—	—	—	—
.70	.45	.35	.29	.23	.18
.09	.08	.08	.07	.06	.10
.87½	—	—	—	—	—
18,716,102	12,183,845	9,316,636	7,137,454	5,282,649	4,955,636
1,016,751	714,440	556,049	501,829	397,326	359,967
1,300,137	876,337	637,436	501,923	387,786	319,723
1.19	.85	.73	.66	.53	.47
.57	.44	.36	.29	.24	.20





### SUMMARY OF EXPLORATORY ACREAGE

### NET LEASABLE ACRES

LOCATION	TYPE OF INTEREST	GROSS ACRES	NET LEASABLE ACRES	
			(1) Bow Valley	(2) Bow Valley's Participants
Alberta . . . . .	Leases . . . . .	388,561	43,971	131,763
	Petroleum and Natural Gas Reservations . . . . .	273,480	28,593	56,573
Arctic Coast . . . . .	Oil and Gas Permits . . . . .	709,594	146,714	179,318
	Leases . . . . .	8,379	625	961
British Columbia . . . . .	Petroleum and Natural Gas Permits . . . . .	42,789	1,337	20,057
	Leases . . . . .	1,525	1,373	—
Ontario . . . . .	Leases . . . . .	5,282	1,677	1,465
	Petroleum and Natural Gas Permits . . . . .	520,807	68,896	72,623
Saskatchewan . . . . .	Leases . . . . .	4,901	3,267	1,634
	Petroleum and Natural Gas Permits . . . . .	—	—	—
Montana . . . . .	Leases . . . . .	—	—	—
Totals . . . . .		1,955,318	296,453	464,394

(1) Excludes Bow Valley's net profits interest.

(2) Bow Valley has a 25% net profits interest after payout in any future production from these lands.

In addition to the above holdings, Bow Valley owns 2.2588% of Panarctic Oils Ltd. which has 50,215,123 acres in the Arctic Islands committed to its exploration program.





Aerial view of Garry Island



Harbor on Northeast Garry Island



## ARCTIC ISLANDS AND ARCTIC COAST

### ARCTIC ISLANDS



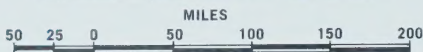
LANDS COMMITTED TO PANARCTIC 50,215,123 GROSS ACRES  
(Bow Valley's Interest in Panarctic is 2.2588%)

### ARCTIC COAST



LAND HOLDINGS 709,594 GROSS ACRES  
BOW VALLEY 146,714 NET LEASEABLE ACRES  
BOW VALLEY PARTICIPANTS\* 179,318 NET LEASEABLE ACRES

\* Subject to 25% net profits interest to Bow Valley after payout







*Ellesmere Is.*

*Axel Heiberg Is.*

*Ellef  
Ringnes  
Is.*

*Amund  
Ringnes  
Is.*

*Loughheed Is.*

*Cornwall Is.*

*Bathurst Is.*

*Cornwallis Is.*

*Devon Is.*

*Somerset Is.*

*Prince  
of  
Wales Is.*





**Bow Valley Industries Ltd.    Annual Report 1968**